



CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2004

70-1110

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Charter Township of Polkton	<b>County</b> Ottawa
<b>Audit Date</b> December 31, 2004	<b>Opinion Date</b> March 4, 2005	<b>Date Accountant Report Submitted to State:</b> April 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9-10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Business Type Funds:	
Statement of Net Assets	12
Statement of Revenues, Expenses and Changes in Net Assets	13
Statement of Cash Flows	14
Notes to Financial Statements	15-23
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	24-25
Budgetary Comparison Schedule – Road Fund	26
Other Supporting Information:	
General Fund Expenditures by Detailed Account	27-28
Combining Balance Sheet – All Special Revenue Funds	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds	30
Current Tax Collection Fund Schedule of Changes in Assets and Liabilities	31
Current Tax Collection Fund Schedule of Cash Receipts and Disbursements	32

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

March 4, 2005

To the Township Board  
Charter Township of Polkton  
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Charter Township of Polkton, Ottawa County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Polkton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Charter Township of Polkton, Ottawa County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2004

The Management's Discussion and Analysis report of the Charter Township of Polkton covers the Township's financial performance during the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets on 12-31-2004 totaled \$845,946.45 for governmental activities and \$206,977.25 for business activities (water). Overall total capital assets remained approximately the same as 2003.

Overall revenues were \$719,874.43. (\$671,559.22 were from governmental activities and \$48,315.21 from business-type activities.) Government activities had no major road investments this year. There was also a loss of 8% in revenue sharing. Business activities had no major investment.

Taxable value increased by 2.3% over 2003.

New long-term debt increased by \$89,935.00 for a sidewalk over I-96 owed to Ottawa County Road Commission.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2004

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Road Fund, Public Improvement Fund and the Water Fund.

FUND FINANCIAL STATEMENTS

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include the General Fund, Road Fund and Public Improvement Fund.

Business Type Funds: The Township has a Water Fund which was previously reported as a Special Revenue Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We continue to pay our water loans as assessments come in. The original 20 year loan taken out in 1998 of \$395,000 is now down to \$300,000. We did not have a water rate increase this year.

Our cash position in both the governmental and business-type activities remain strong.

Debt incurred this year is \$89,935 for a sidewalk over I-96 owed to Ottawa County Road Commission for which no interest is charged.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are the Fire Department for which a new millage was passed in 2004 of 1 mill (expenses were \$69,460).

The landfill continues to be a major source of income for the Township.

The Water Fund incurred \$39,628 in total expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Governmental activities invested \$2,433 in capital assets. (Air conditioning system)

Business-type activities invested \$0 in capital assets.

Governmental activities paid \$4,702 of principal on the new \$89,935 Road-Sidewalk Debt.

Business-type (Water) activities paid \$20,000 on water bond payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is uncertain and it represents 33% of our income. We continue to grow at a 2.3% rate in taxable values. Some areas in the Township, however have shown increasing pressure for development and therefore the infrastructure which goes along with development. The Ottawa County Farms Landfill continues to be a revenue source for the Township.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2004

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or the Township Treasurer at 616-837-6876.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
December 31, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash in bank	342 556 87	16 343 84	358 900 71
Investments	528 361 45	121 242 03	649 603 48
Accounts receivable	-	2 935 38	2 935 38
Taxes receivable	181 986 64	9 172 51	191 159 15
Special assessments receivable	-	113 065 46	113 065 46
<b>Total Current Assets</b>	<u>1 052 904 96</u>	<u>262 759 22</u>	<u>1 315 664 18</u>
<b>NONCURRENT ASSETS:</b>			
Capital Assets	323 616 00	471 511 00	795 127 00
Less: Accumulated Depreciation	<u>(123 600 00)</u>	<u>(94 300 00)</u>	<u>(217 900 00)</u>
<b>Total Noncurrent Assets</b>	<u>200 016 00</u>	<u>377 211 00</u>	<u>577 227 00</u>
<b>TOTAL ASSETS</b>	<u>1 252 920 96</u>	<u>639 970 22</u>	<u>1 892 891 18</u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	961 92	7 664 00	8 625 92
Deferred revenue	<u>320 780 04</u>	<u>125 328 97</u>	<u>446 109 01</u>
<b>Total Current Liabilities</b>	<u>321 741 96</u>	<u>132 992 97</u>	<u>454 734 93</u>
<b>NONCURRENT LIABILITIES:</b>			
Contracts payable	<u>85 232 55</u>	<u>300 000 00</u>	<u>385 232 55</u>
<b>Total Noncurrent Liabilities</b>	<u>85 232 55</u>	<u>300 000 00</u>	<u>385 232 55</u>
<b>Total Liabilities</b>	<u>406 974 51</u>	<u>432 992 97</u>	<u>839 967 48</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets,			
Net of Related Debt	200 016 00	77 211 00	277 227 00
Unrestricted	<u>645 930 45</u>	<u>129 766 25</u>	<u>775 696 70</u>
<b>Total Net Assets</b>	<u>845 946 45</u>	<u>206 977 25</u>	<u>1 052 923 70</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>1 252 920 96</u>	<u>639 970 22</u>	<u>1 892 891 18</u>

The accompanying notes are an integral part of these financial statements.



CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended December 31, 2004

	<u>Expenses</u>	<u>Program Revenue</u>  <u>Charges for Services</u>	<u>Governmental Activities</u> <u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	135 295 03	-	(135 295 03)
General government	91 864 13	21 946 86	(69 917 27)
Public safety	129 270 81	30 284 40	(98 986 41)
Public works	116 243 37	131 758 50	15 515 13
Other	<u>1 029 48</u>	<u>-</u>	<u>(1 029 48)</u>
Total Governmental Activities	<u>473 702 82</u>	<u>183 989 76</u>	<u>(289 713 06)</u>
Business-Type Activities:			
Water	<u>39 628 08</u>	<u>45 855 69</u>	<u>-</u>
Total Business-Type Activities	<u>39 628 08</u>	<u>45 855 69</u>	<u>-</u>
Total Government	<u><u>513 330 90</u></u>	<u><u>229 845 45</u></u>	<u><u>(289 713 06)</u></u>
General Revenues:			
Transfers			(800 00)
Property taxes			212 803 97
State revenue sharing			163 838 45
Interest			10 062 50
Miscellaneous			<u>10 929 54</u>
Total General Revenues			<u>396 834 46</u>
Change in net assets			107 121 40
Net assets, beginning of year			<u>738 825 05</u>
Net Assets, End of Year			<u><u>845 946 45</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Business Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(135 295 03)
-	(69 917 27)
-	(98 986 41)
-	15 515 13
-	(1 029 48)
-	(289 713 06)
<u>6 227 61</u>	<u>6 227 61</u>
<u>6 227 61</u>	<u>6 227 61</u>
<u>6 227 61</u>	<u>(283 485 45)</u>
800 00	-
-	212 803 97
-	163 838 45
1 659 52	11 722 02
-	10 929 54
<u>2 459 52</u>	<u>399 293 98</u>
8 687 13	115 808 53
<u>198 290 12</u>	<u>937 115 17</u>
<u>206 977 25</u>	<u>1 052 923 70</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
December 31, 2004

	<u>General</u>	<u>Road</u>	<u>Public Improvement</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	203 763 47	-	-	203 763 47
Investments	294 176 05	186 199 96	47 985 44	528 361 45
Due from other funds	<u>172 528 20</u>	<u>148 251 84</u>	<u>-</u>	<u>320 780 04</u>
Total Assets	<u><u>670 467 72</u></u>	<u><u>334 451 80</u></u>	<u><u>47 985 44</u></u>	<u><u>1 052 904 96</u></u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	961 92	-	-	961 92
Deferred revenue	<u>172 528 20</u>	<u>148 251 84</u>	<u>-</u>	<u>320 780 04</u>
Total liabilities	<u>173 490 12</u>	<u>148 251 84</u>	<u>-</u>	<u>321 741 96</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>496 977 60</u>	<u>186 199 96</u>	<u>47 985 44</u>	<u>731 163 00</u>
Total fund equity	<u>496 977 60</u>	<u>186 199 96</u>	<u>47 985 44</u>	<u>731 163 00</u>
Total Liabilities and Fund Equity	<u><u>670 467 72</u></u>	<u><u>334 451 80</u></u>	<u><u>47 985 44</u></u>	<u><u>1 052 904 96</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
December 31, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	731 163 00
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	323 616 00
Accumulated depreciation	(123 600 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Contract payable	<u>(85 232 55)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>845 946 45</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended December 31, 2004

	<u>General</u>	<u>Road</u>	<u>Public Improvement</u>	<u>Total</u>
Revenues:				
Property taxes	69 895 22	142 908 75	-	212 803 97
Licenses and permits	30 284 40	-	-	30 284 40
State revenue sharing	159 136 00	4 702 45	-	163 838 45
Charges for services:				
Property tax administration	20 746 86	-	-	20 746 86
Landfill	129 700 04	-	-	129 700 04
Interest	7 523 51	1 906 89	632 10	10 062 50
Rents	1 200 00	-	-	1 200 00
Special assessments	2 058 46	-	-	2 058 46
Miscellaneous	10 929 54	-	-	10 929 54
Total revenues	<u>431 474 03</u>	<u>149 518 09</u>	<u>632 10</u>	<u>581 624 22</u>
Expenditures:				
Legislative:				
Township Board	135 295 03	-	-	135 295 03
General government:				
Supervisor	12 900 00	-	-	12 900 00
Elections	2 585 44	-	-	2 585 44
Assessor	14 990 20	-	-	14 990 20
Clerk	16 078 41	-	-	16 078 41
Board of Review	985 48	-	-	985 48
Treasurer	17 419 75	-	-	17 419 75
Building and grounds	7 358 85	-	-	7 358 85
Cemetery	11 600 00	-	-	11 600 00
Public safety:				
Police protection	14 049 70	-	-	14 049 70
Fire protection	69 460 54	-	-	69 460 54
Ambulance	14 280 00	-	-	14 280 00
Protective inspection	25 765 25	-	-	25 765 25
Planning Commission	3 948 97	-	-	3 948 97
Zoning Board of Appeals	1 766 35	-	-	1 766 35
Public works:				
Highways and streets	109 966 96	-	-	109 966 96
Street lighting	2 377 42	-	-	2 377 42
Drains	3 898 99	-	-	3 898 99
Other:				
Payroll taxes	1 029 48	-	-	1 029 48
Capital outlay	2 433 00	-	-	2 433 00
Debt service	4 702 45	-	-	4 702 45
Total expenditures	<u>472 892 27</u>	<u>-</u>	<u>-</u>	<u>472 892 27</u>
Excess (deficiency) of revenues over expenditures	<u>(41 418 24)</u>	<u>149 518 09</u>	<u>632 10</u>	<u>108 731 95</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended December 31, 2004

	<u>General</u>	<u>Road</u>	<u>Public Improvement</u>	<u>Total</u>
Other financing sources (uses):				
Loan proceeds	89 935 00	-	-	89 935 00
Transfers in	4 702 45	-	-	4 702 45
Transfers out	<u>(800 00)</u>	<u>(4 702 45)</u>	-	<u>(5 502 45)</u>
Total other financing sources (uses)	<u>93 837 45</u>	<u>(4 702 45)</u>	<u>-</u>	<u>89 135 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	52 419 21	144 815 64	632 10	197 866 95
Fund balances, January 1	<u>444 558 39</u>	<u>41 384 32</u>	<u>47 353 34</u>	<u>533 296 05</u>
Fund Balances, December 31	<u><u>496 977 60</u></u>	<u><u>186 199 96</u></u>	<u><u>47 985 44</u></u>	<u><u>731 163 00</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended December 31, 2004

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 197 866 95

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(7 946 00)
Capital Outlay	2 433 00

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	4 702 45
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Receipt of debt principal in the form of loan proceeds is a financing source in the  
Governmental funds, the receipt does not have an effect in the statement of activities  
but does increase the debt balance in the statement of net assets

Principal receipts on long-term debt	<u>(89 935 00)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>107 121 40</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF NET ASSETS – BUSINESS TYPE FUNDS  
December 31, 2004

	<u>Water Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	13 252 84
Investments	121 242 03
Accounts receivable	2 935 38
Special assessments receivable	113 065 46
Due from other funds	<u>12 263 51</u>
Total Current Assets	<u>262 759 22</u>
NONCURRENT ASSETS:	
Capital Assets	471 511 00
Less: Accumulated Depreciation	<u>(94 300 00)</u>
Total Noncurrent Assets	<u>377 211 00</u>
TOTAL ASSETS	<u><u>639 970 22</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	7 664 00
Deferred revenue	<u>125 328 97</u>
Total Current Liabilities	<u>132 992 97</u>
NONCURRENT LIABILITIES:	
Contract payable	<u>300 000 00</u>
Total Noncurrent Liabilities	<u>300 000 00</u>
Total Liabilities	<u>432 992 97</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	77 211 00
Unrestricted	<u>129 766 25</u>
Total Net Assets	<u>206 977 25</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>639 970 22</u></u>

The accompanying notes are an integral part of these financial statements.



CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
BUSINESS TYPE FUNDS  
Year ended December 31, 2004

	<u>Water Fund</u>
OPERATING REVENUES:	
Charges for Services:	
Water charges	26 006 30
Special assessments	<u>19 849 39</u>
Total Operating Revenues	<u>45 855 69</u>
OPERATING EXPENSES:	
Water	22 448 08
Depreciation	<u>9 430 00</u>
Total Operating Expenses	<u>31 878 08</u>
Operating Income	<u>13 977 61</u>
NONOPERATING REVENUES (EXPENSES):	
Transfers from other funds	800 00
Interest income	1 659 52
Interest expense	<u>(7 750 00)</u>
Net Nonoperating Revenues (Expenses)	<u>(5 290 48)</u>
Change in net assets	8 687 13
Net assets, beginning of year	<u>198 290 12</u>
Net Assets, End of Year	<u><u>206 977 25</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS TYPE FUNDS  
Year ended December 31, 2004

	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	44 211 68
Cash payments to supplies	<u>(16 827 17)</u>
Net cash provided (used) by operating activities	<u>27 384 51</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Net borrowings (repayments) with other funds	1 549 11
Transfers (to) from other funds	<u>800 00</u>
Net cash provided (used) by non-capital financing activities	<u>2 349 11</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal on contracts payable	(20 000 00)
Interest on contracts payable	<u>(7 750 00)</u>
Net cash provided (used) by capital and related financing activities	<u>(27 750 00)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on investments	<u>1 659 52</u>
Net increase (decrease) in cash	3 643 14
Cash beginning of year	<u>130 851 73</u>
Cash End of Year	<u><u>134 494 87</u></u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Income (loss) from operations	13 977 61
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	9 430 00
(Increase) decrease in receivables	(1 644 01)
Increase (decrease) in payables	<u>5 620 91</u>
Net Cash Provided (Used) by Operating Activities	<u><u>27 384 51</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Polkton, Ottawa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Polkton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Joint Ventures

The Charter Township is a member of Coopersville-Polkton Cemetery Authority. The Charter Township appoints one member to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their audit report, is as of June 30, 2004:

Total assets	68 527
Total liabilities	-
Total equity	68 527
Total revenue	35 906
Total expenditures	33 997
Increase (decrease) in fund balance	1 909
Total joint venture's outstanding debt	-

The Charter Township is also a member of Coopersville Polkton Area Fire Protection Authority. The Charter Township appoints two members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their audit report, is as of December 31, 2003:

Total assets	1 296 694
Total liabilities	-
Total equity	1 296 694
Total revenue	139 401
Total expenditures	145 857
Increase (decrease) in fund balance	(6 456)
Total joint venture's outstanding debt	-

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.9360 mills, and the taxable value was \$72,582,259.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40-60 years
Furniture and equipment	3-5 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective January 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$200,016.00.

Creation of a Water Fund which includes the activities that were previously recorded in a Special Revenue Fund.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>888,244.49</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>788 199 51</u>
Total Deposits	<u>888 199 51</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>649 603 48</u>
Total Investments				<u>649 603 48</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	172 528 20		
Road	148 251 84		
Water	<u>12 263 51</u>	Current Tax Collection	<u>333 043 55</u>
Total	<u>333 043 55</u>	Total	<u>333 043 55</u>



CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

**Note 5 – Capital Assets**

Capital asset activity of the Township's Governmental and Business Type activities for the current year was as follows:

	Balance 1/1/04	Additions	Deletions	Balance 12/31/04
<u>Governmental Activities:</u>				
Land	24 629 00	-	-	24 629 00
Buildings	277 891 00	-	-	277 891 00
Equipment	18 663 00	2 433 00	-	21 096 00
Total	321 183 00	2 433 00	-	323 616 00
Accumulated Depreciation	(115 654 00)	(7 946 00)	-	(123 600 00)
Net Governmental Capital Assets	205 529 00	(5 513 00)	-	200 016 00
<u>Business Type Activities:</u>				
Water System	471 511 00	-	-	471 511 00
Accumulated Depreciation	(84 870 00)	(9 430 00)	-	(94 300 00)
Net Business Type Capital Assets	386 641 00	(9 430 00)	-	377 211 00

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Pension Plan**

The Township has a defined contribution pension plan covering substantially all full time employees. The Township contributes a portion of each employee's annual salary to the plan and the employees contribute an equal amount. Pension expense for the fiscal year ended December 31, 2004, was \$3,815.32.

**Note 8 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	Balance 1/1/04	Additions	Deductions	Balance 12/31/04
Contract payable – Ottawa County	320 000 00	-	20 000 00	300 000 00
Contract payable – roads	-	89 935 00	4 702 45	85 232 55
Total	320 000 00	89 935 00	24 702 45	385 232 55

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

Note 9 – Contract Payable – Ottawa County

On March 1, 1998, the Township entered into an agreement with the County of Ottawa whereby the Township agreed to pay amounts to the County to enable the County to make bond principal and interest payments to retire the 1998 bond issue in the principal amount of \$395,000.00. The bonds were issued to fund part of the cost of a water system extension within the Township. The bonds bear interest at the rate of 2.5% per annum. As of December 31, 2004, \$300,000.00 of the bond principal outstanding.

<u>Due Date</u>	<u>Principal Amount</u>
4-1-05	20 000 00
4-1-06	20 000 00
4-1-07	20 000 00
4-1-08	20 000 00
4-1-09	20 000 00
4-1-10	20 000 00
4-1-11	20 000 00
4-1-12	20 000 00
4-1-13	20 000 00
4-1-14	20 000 00
4-1-15	25 000 00
4-1-16	25 000 00
4-1-17	25 000 00
4-1-18	25 000 00
Total	<u>300 000 00</u>

Note 10 – Contract Payable – Roads

The Charter Township of Polkton entered into a contract with the Ottawa County Road Commission to finance bridge improvements. The contract requires annual payments in varying amounts. As of December 31, 2004, the principal balance outstanding on this contract payable is \$85,232.55.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12 – Transfers In and Transfers Out

For the fiscal year ended, December 31, 2004, the Township made the following interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
Road Fund	-	4 702 45
General Fund	4 702 45	800 00
Water Fund	800 00	-
Total	<u>5 502 45</u>	<u>5 502 45</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

Note 13 – Building Permits

As of December 31, 2004, the Township had building permit revenues of \$28,357.90 and building permit expenses of \$25,765.25.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	69 824 00	69 824 00	69 895 22	71 22
Licenses and permits	15 695 00	27 195 00	30 284 40	3 089 40
State revenue sharing	175 000 00	175 000 00	159 136 00	(15 864 00)
Charges for services:				
Property tax administration	19 500 00	19 500 00	20 746 86	1 246 86
Landfill	100 000 00	100 000 00	129 700 04	29 700 04
Interest	6 000 00	6 000 00	7 523 51	1 523 51
Rents	1 500 00	1 500 00	1 200 00	(300 00)
Special assessments	2 000 00	2 000 00	2 058 46	58 46
Miscellaneous	6 000 00	8 217 00	10 929 54	2 712 54
Total revenues	395 519 00	409 236 00	431 474 03	22 238 03
Expenditures:				
Legislative:				
Township Board	103 700 00	141 266 00	135 295 03	(5 970 97)
General government:				
Supervisor	13 000 00	13 000 00	12 900 00	(100 00)
Elections	3 000 00	3 000 00	2 585 44	(414 56)
Assessor	15 600 00	15 600 00	14 990 20	(609 80)
Clerk	16 700 00	16 700 00	16 078 41	(621 59)
Board of Review	1 200 00	1 200 00	985 48	(214 52)
Treasurer	18 400 00	18 400 00	17 419 75	(980 25)
Building and grounds	12 200 00	12 200 00	7 358 85	(4 841 15)
Cemetery	11 600 00	11 600 00	11 600 00	-
Public safety:				
Police protection	14 500 00	14 500 00	14 049 70	(450 30)
Fire protection	70 000 00	70 000 00	69 460 54	(539 46)
Ambulance	30 000 00	30 000 00	14 280 00	(15 720 00)
Protective inspection	15 000 00	26 500 00	25 765 25	(734 75)
Planning Commission	5 000 00	5 000 00	3 948 97	(1 051 03)
Zoning Board of Appeals	3 000 00	3 000 00	1 766 35	(1 233 65)
Public works:				
Highways and streets	25 000 00	110 035 00	109 966 96	(68 04)
Street lighting	2 800 00	2 800 00	2 377 42	(422 58)
Drains	4 000 00	4 000 00	3 898 99	(101 01)
Other:				
Payroll taxes	3 000 00	3 900 00	1 029 48	(2 870 52)
Capital outlay	3 000 00	3 000 00	2 433 00	(567 00)
Debt service	4 819 00	4 703 00	4 702 45	(55)
Total expenditures	375 519 00	510 404 00	472 892 27	(37 511 73)
Excess (deficiency) of revenues over expenditures	20 000 00	(101 168 00)	(41 418 24)	59 749 76

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Loan proceeds	-	85 233 00	89 935 00	4 702 00
Transfers in	-	4 702 00	4 702 45	45
Transfers out	<u>(20 000 00)</u>	<u>(800 00)</u>	<u>(800 00)</u>	-
Total other financing sources (uses)	<u>(20 000 00)</u>	<u>89 135 00</u>	<u>93 837 45</u>	<u>4 702 45</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(12 033 00)	52 419 21	64 452 21
Fund balance, January 1	<u>-</u>	<u>12 033 00</u>	<u>444 558 39</u>	<u>432 525 39</u>
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>496 977 60</u>	<u>496 977 60</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND  
Year ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	143 056 00	143 056 00	142 908 75	(147 25)
State revenue sharing	1 335 00	4 702 00	4 702 45	45
Interest	1 003 00	1 003 00	1 906 89	903 89
Total revenues	<u>145 394 00</u>	<u>148 761 00</u>	<u>149 518 09</u>	<u>757 09</u>
Expenditures:				
Public works:				
Highways and streets	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>145 394 00</u>	<u>148 761 00</u>	<u>149 518 09</u>	<u>757 09</u>
Other financing sources (uses):				
Transfers out	-	(4 702 00)	(4 702 45)	(45)
Total other financing sources (uses)	<u>-</u>	<u>(4 702 00)</u>	<u>(4 702 45)</u>	<u>(45)</u>
Excess of revenues and other sources over expenditures and other uses	145 394 00	144 059 00	144 815 64	756 64
Fund balance, January 1	<u>41 384 00</u>	<u>41 384 00</u>	<u>41 384 32</u>	<u>32</u>
Fund Balance, December 31	<u>186 778 00</u>	<u>185 443 00</u>	<u>186 199 96</u>	<u>756 96</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2004

Township Board:	
Wages	3 120 00
Administrative assistant	1 512 50
Supplies	1 567 38
Professional services	14 393 30
Legal	92 597 70
Printing and publishing	3 449 03
Computer service	1 628 00
Insurance	9 252 00
Pension	3 815 32
Miscellaneous	1 572 24
Memberships and dues	1 717 56
Education	670 00
	<u>135 295 03</u>
Supervisor:	
Salary	<u>12 900 00</u>
Elections	<u>2 585 44</u>
Assessor:	
Salary	14 400 00
Office supplies	590 20
	<u>14 990 20</u>
Clerk:	
Salary – Clerk	15 575 00
Expenses	503 41
	<u>16 078 41</u>
Board of Review	<u>985 48</u>
Treasurer:	
Salary	15 575 00
Expenses	1 844 75
	<u>17 419 75</u>
Building and grounds:	
Utilities	4 915 37
Repairs and maintenance	1 853 67
Miscellaneous	589 81
	<u>7 358 85</u>
Cemetery	<u>11 600 00</u>
Police protection	<u>14 049 70</u>
Fire protection:	
Fire authority	69 400 00
Miscellaneous	60 54
	<u>69 460 54</u>
Ambulance	<u>14 280 00</u>
Protective inspection	<u>25 765 25</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2004

Planning Commission	<u>3 948 97</u>
Zoning Board of Appeals	<u>1 766 35</u>
Highways and streets	<u>109 966 96</u>
Street lighting	<u>2 377 42</u>
Drains	<u>3 898 99</u>
Payroll taxes	<u>1 029 48</u>
Capital outlay	<u>2 433 00</u>
Debt service	<u>4 702 45</u>
Total Expenditures	<u><u>472 892 27</u></u>



CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
December 31, 2004

	<u>Public Improvement</u>	<u>Road</u>	<u>Total</u>
<u>Assets</u>			
Investments	47 985 44	186 199 96	234 185 40
Due from other funds	-	148 251 84	148 251 84
Total Assets	<u>47 985 44</u>	<u>334 451 80</u>	<u>382 437 24</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Deferred revenue	-	148 251 84	148 251 84
Total liabilities	-	148 251 84	148 251 84
Fund balances:			
Unreserved:			
Undesignated	47 985 44	186 199 96	234 185 40
Total fund balances	47 985 44	186 199 96	234 185 40
Total Liabilities and Fund Balances	<u>47 985 44</u>	<u>334 451 80</u>	<u>382 437 24</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

December 31, 2004

	<u>Public Improvement</u>	<u>Road</u>	<u>Total</u>
Revenues:			
Property taxes	-	142 908 75	142 908 75
State revenue sharing	-	4 702 45	4 702 45
Interest	632 10	1 906 89	2 538 99
	<u>632 10</u>	<u>1 906 89</u>	<u>2 538 99</u>
Total revenues	632 10	149 518 09	150 150 19
Expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	632 10	149 518 09	150 150 19
Other financing sources (uses):			
Operating transfers out	-	(4 702 45)	(4 702 45)
Total other financing sources (uses)	-	(4 702 45)	(4 702 45)
Excess (deficiency) of revenues and other sources over expenditures and other uses	632 10	144 815 64	145 447 74
Fund balances, January 1	47 353 34	41 384 32	88 737 66
Fund Balances, December 31	<u>47 985 44</u>	<u>186 199 96</u>	<u>234 185 40</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

CURRENT TAX COLLECTION FUND  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
Year ended December 31, 2004

	<u>Balance</u> <u>1/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/04</u>
<u>Assets</u>				
Cash in bank	515 322 55	2 285 955 80	2 130 050 17	671 228 18
Taxes receivable	<u>1 218 225 84</u>	<u>2 333 364 30</u>	<u>2 356 685 20</u>	<u>1 194 904 94</u>
Total Assets	<u>1 733 548 39</u>	<u>4 619 320 10</u>	<u>4 486 735 37</u>	<u>1 866 133 12</u>
<u>Liabilities</u>				
Due to other funds	249 977 22	320 415 96	237 349 63	333 043 55
Due to others	<u>1 483 571 17</u>	<u>1 942 218 94</u>	<u>1 892 700 54</u>	<u>1 533 089 57</u>
Total Liabilities	<u>1 733 548 39</u>	<u>2 262 634 90</u>	<u>2 130 050 17</u>	<u>1 866 133 12</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

CURRENT TAX COLLECTION FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended December 31, 2004

Cash in bank – beginning of year	<u>515 322 55</u>
Cash receipts:	
Tax collections – 2003 tax roll	1 127 522 01
Tax collections – 2004 tax roll	1 157 892 58
Interest	<u>541 21</u>
Total cash receipts	<u>2 285 955 80</u>
Total beginning balance and cash receipts	<u>2 801 278 35</u>
Cash disbursements:	
Township General Fund	89 562 15
Township Road Fund	135 963 86
Township Water Fund	11 823 62
Ottawa County	730 070 12
Northeast Ottawa District Library	41 386 23
Ottawa Area Intermediate School District	297 688 26
Coopersville Area Public Schools	820 087 66
Council on Aging	1 417 37
Refunds of overpayments	<u>2 050 90</u>
Total cash disbursements	<u>2 130 050 17</u>
Cash in Bank – End of Year	<u>671 228 18</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

March 4, 2005

To the Township Board  
Charter Township of Polkton  
Ottawa County, Michigan

We have audited the financial statements of the Charter Township of Polkton for the year ended December 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Charter Township of Polkton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Charter Township of Polkton  
Ottawa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended December 31, 2004. The implementation of this pronouncement for the Charter Township of Polkton began with the year ended December 31, 2004. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2004.

To the Township Board  
Charter Township of Polkton  
Ottawa County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants